

FCC Intercarrier Compensation
Workshop and Solicitation of Comments
On the Missoula Plan

Docket No. M-00061972

Comments of the
Pennsylvania Rural Telephone Company Coalition

The Rural Company Coalition

Armstrong - PA

Armstrong - North

Buffalo Valley

Citizens of Kecksburg

Commonwealth

Conestoga

Denver and Ephrata

Deposit

Hickory

Ironton

Lackawaxen

Laurel Highland

Mahanoy & Mahantango

North-Eastern Pennsylvania

North Penn

North Pittsburgh

Palmerton

Pennsylvania

Pymatuning

South Canaan

Sugar Valley

Venus

Yukon-Waltz

The Missoula Plan

- ❑ Different Companies / Different Treatment (Tracks)
- ❑ Multi-Year Process
- ❑ Lower Inter-carrier Compensation Rates
- ❑ Higher Subscriber Line Charges
- ❑ New Restructure Mechanism

Covered Rural Telephone Company

- An ILEC Study Area qualifies as a “CRTC” if on 8/1/06 it either:
 - Was a rural telephone company, and
 - ❖ Is not an RBOC or RBOC affiliate, and
 - ❖ Serves fewer than 1 million line

 - Was a 2% Carrier, and
 - ❖ < 19 lines per square mile, or
 - ❖ Had rate of return study areas that elect incentive regulation by 12/31/06

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CRTCS

The Missoula Plan – “Tracks”

- ❑ Tracks = Carrier Classification
- ❑ Missoula Plan introduces 3 Tracks
- ❑ Track...
 - Determines Rights & Obligations under the plan
 - Intercarrier rate levels
 - Intercarrier rate structure
 - SLC Levels

The Missoula Plan – “Tracks”

□ “Track 1”

➤ All ILECs that are not CRTCs (RBOCs)

➤ All Non-ILECs

◆ CLECs

◆ CMRS

The Missoula Plan – “Tracks”

□ “Track 2” - A CRTC that is...

- Price Cap < 1 million loops in study area
- Non-Rural Study Areas which **are** CRTCs
- Study Areas under incentive regulation
- Rural Rate of Return CRTCs
 - ❖ With more than 10,000 loops, and
 - ❖ Are part of a holding company that also holds Price Cap or Non-Rural Study Areas

The Missoula Plan – “Tracks”

□ “Track 3” – Must be a CRTTC

➤ Rural Rate of Return CRTTCs that:

- ❖ Are part of a holding company that **does not** own Price Cap or Non-Rural Study areas, or
- ❖ Are part of a holding company that **does** own Price Cap or Non-Rural Study areas, but has fewer than 10,000 loops

➤ All rate of return Rural CRTTC Study Areas not described above.

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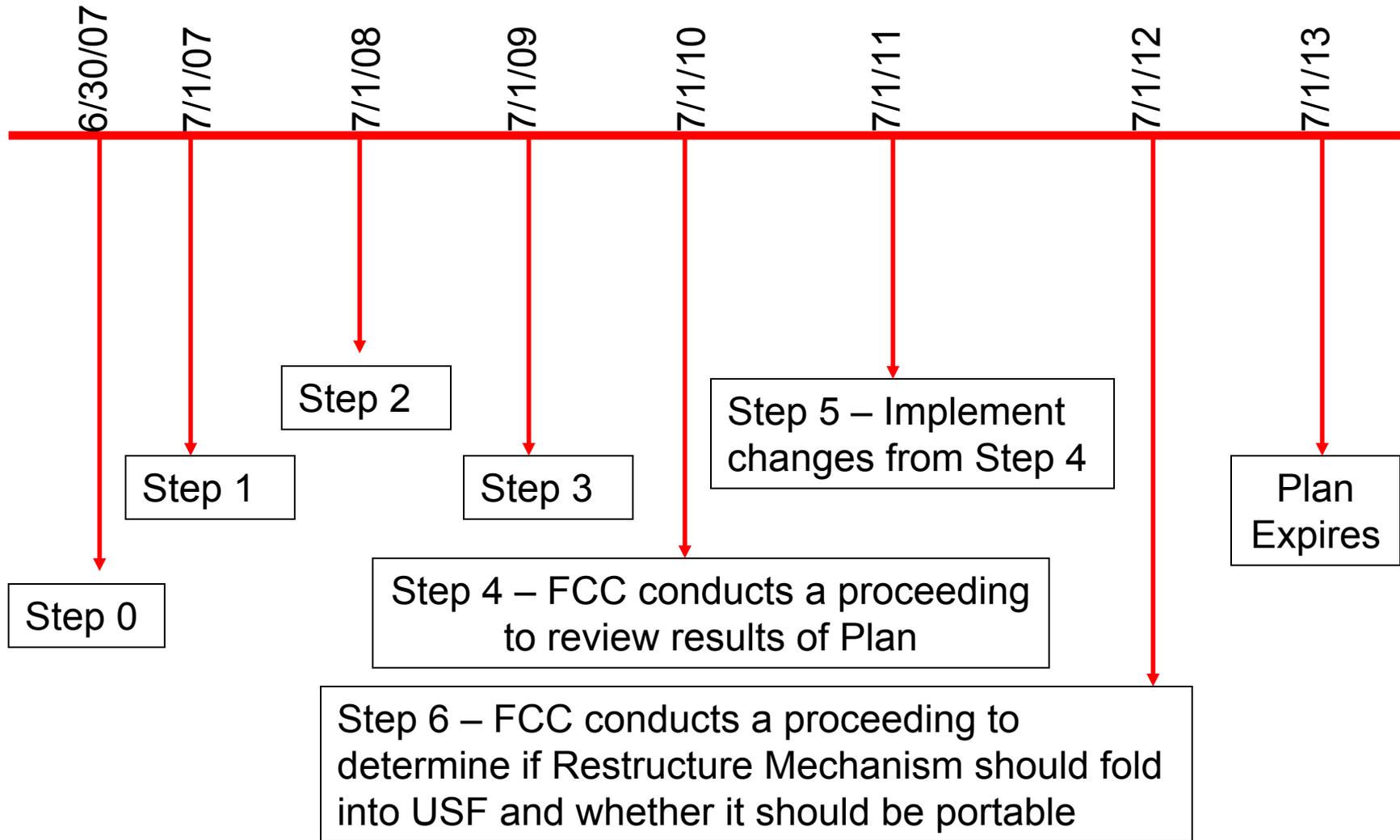
Sugar Valley

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Track 3

Steps – Hypothetical Timeline



Missoula Plan – Local or Toll ??

❑ Originating Access for Wireline to Wireline Calls if:

- Calling & called #s in non-local rate centers
- Called # is 8YY for which non-local POTS routable phone number is returned from 800 database
- Called # is 8YY for which no POTS routable number is returned

Missoula Plan – Local or Toll ??

❑ Originating Access for Wireline to **Wireless** Calls if:

- Calling & called #s are associated with different rate centers within the same MTA, and an IXC has the retail toll relationship with the calling party
- Calling & called #s are associated with different rate centers in different MTAs

Missoula Plan – Local or Toll ??

- Reciprocal Compensation for Wireline to **Wireless** Calls if calling & called #s are associated with rate centers within the same MTA and either:
 - Calling & called # are associated with the same rate center, or
 - Calling & called # are associated with different rate centers, but within EAS area, or
 - Calling & called # are associated with different rate centers, but within the same MTA, and the LEC has the retail relationship with the calling party

Missoula Plan – Local or Toll ??

❑ Terminating Charges for **Wireless** to Wireline calls:

- Reciprocal Compensation if calling & called #s are associated with rate centers within the same MTA
- Access Charges apply if
 - ❖ Calling & called #s are associated with different rate centers in different MTAs
 - ❖ CMRS traffic is sent via an IXC to the LEC

Missoula Plan – Local or Toll ??

□ IXC to Wireless:

- At Step 2, Wireless carrier charges \$0.0007
- At Step 4, Wireless carrier charges \$0.0005

Network Interconnection (Edge)

“The location on a carrier’s network where it receives traffic for routing within its network and where it performs the termination function for traffic received from other carriers”

Edge Requirements

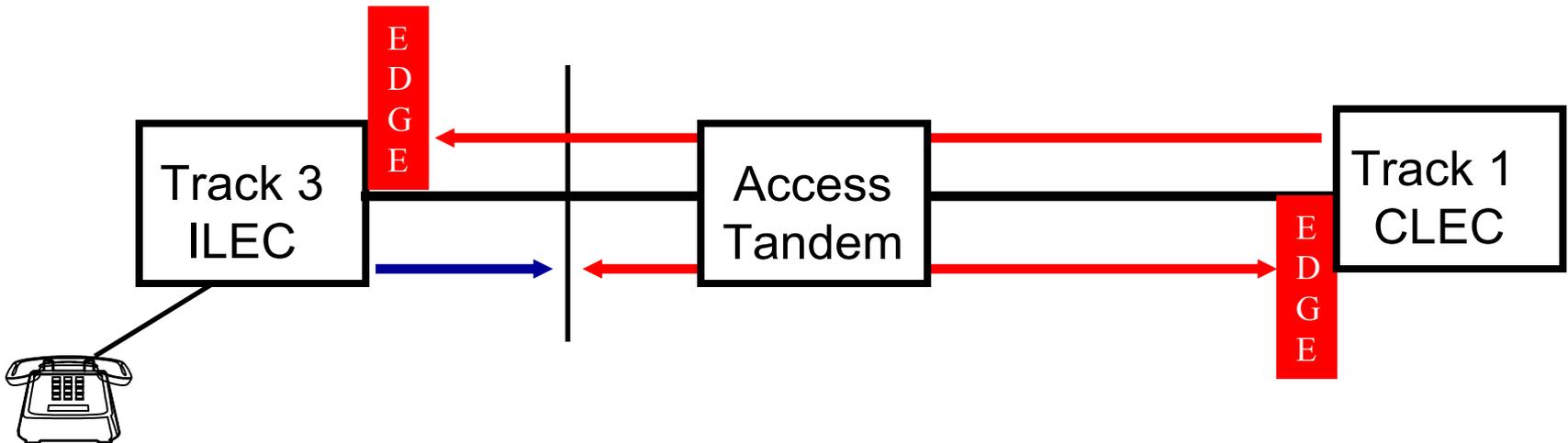
- ❑ Each Company picks its own edge
- ❑ Edge must be considered:
 - End Office, or
 - Access Tandem, or
 - POP, or
 - Trunking Media Gateway, or
 - Mobile Switching Center

Edge Requirements

❑ Must perform:

- LNP when requested (subject to RLEC suspension)
- Termination for access and non-access traffic
- Direct or indirect interconnection via
 - ❖ Fiber Optic or Electrical Cable Termination
 - ❖ Collocation
 - ❖ Meet Point Interconnection
 - ❖ Leased Transport

TRANSPORT RULES INDIRECT INTERCONNECTION

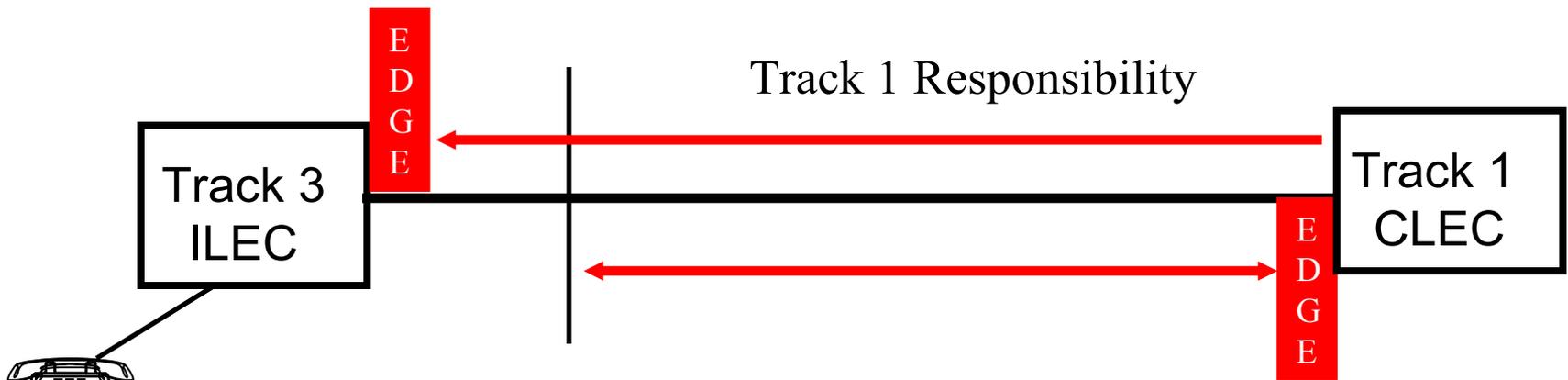


Track 1 Responsibility ←→

Track 3 Responsibility →

TRANSPORT RULES

DIRECT INTERCONNECTION



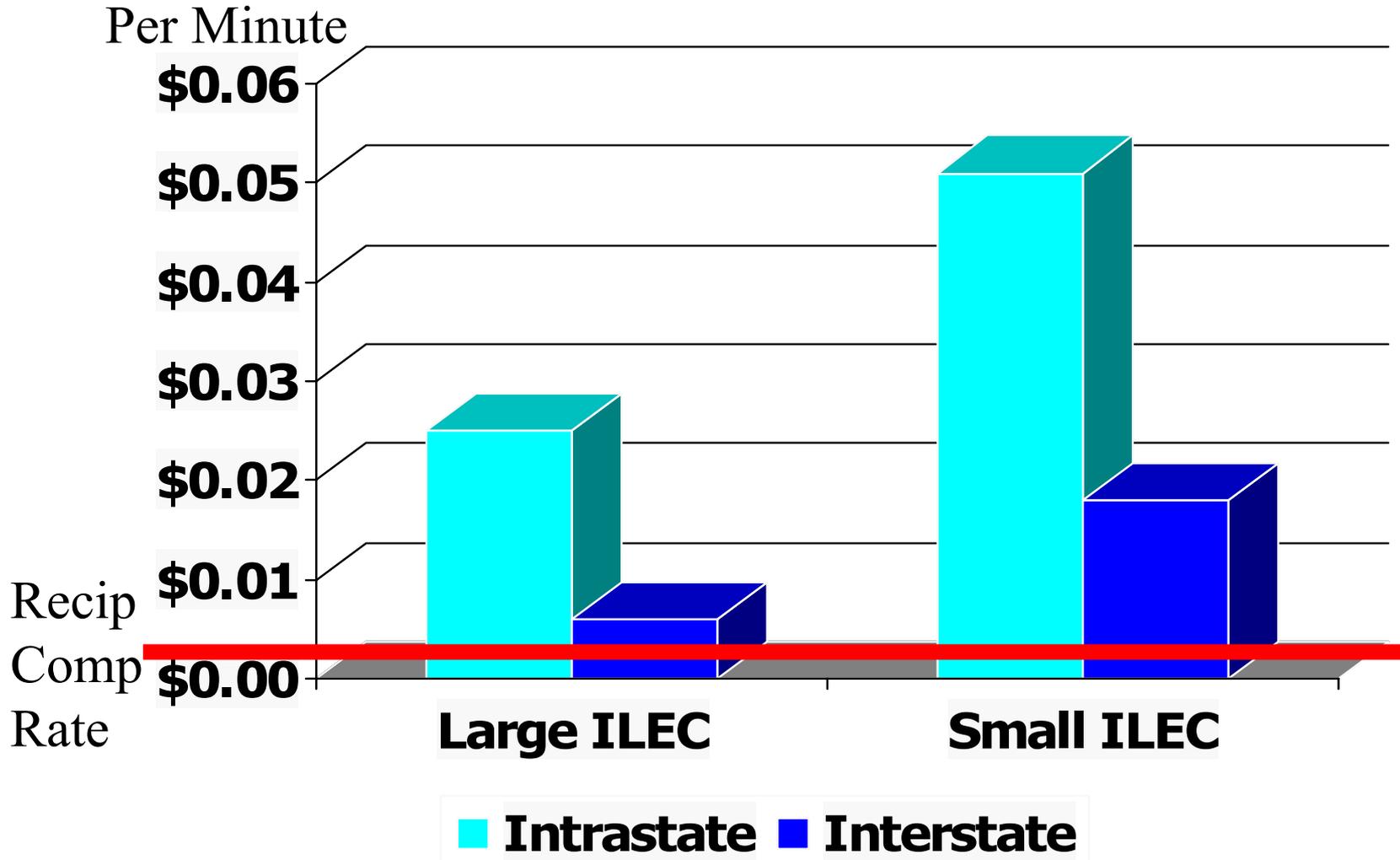
If dedicated facilities are used, Track 3 pays Track 1 for 50% of the capacity required to transport its traffic from the meet point to Track 1 Edge, but not any more than 10 miles

Phantom Traffic

- ❑ Telecommunications Traffic that cannot be billed because it is:
 - Mislabeled
 - Unlabeled
 - Improperly Routed
- ❑ Carrier to bill is unknown
- ❑ Proper jurisdiction of the call is unknown

INTERCARRIER COMPENSATION RATES

Source: ICF Plan



Track 1 - Terminating Rates (sample)

| | <u>Interstate Access</u> | <u>Intrastate Access</u> | <u>Non-Access Traffic</u> |
|--------|------------------------------|------------------------------|-------------------------------|
| Step 0 | \$ 0.0130 | \$ 0.0220 | Unchanged |
| Step 1 | \$ 0.0089 | \$ 0.0149 | Unchanged |
| Step 2 | \$ 0.0048 | \$ 0.0078 | Unchanged |
| Step 3 | \$ 0.0007 | \$ 0.0007 | \$ 0.0007 |
| Step 4 | \$ 0.0005 | \$ 0.0005 | \$ 0.0005 |

Track 1 - Originating Rates

- ❑ Step 0 – must declare ultimate usage sensitive originating rate. No higher than:
 - \$0.002 for EO switching
 - \$0.0025 for Common Transport and Tandem Switching
- ❑ No change through Step 2
- ❑ Decrease to declared rate by Step 4

Track 2 Rates

- ❑ Step 0 – must declare ultimate usage sensitive originating **and** terminating rate.
- ❑ No change through Step 2
- ❑ At Step 3 – Maximum rates set based on Company's form of regulation

Track 2 - Maximum Terminating Rates

□ Step 3 – Rate of Return

- \$0.0105 – Tandem Switching & Transport
- \$0.0005 – End Office Switching

□ Step 3 – Price Cap or Incentive Reg'l

- \$0.0075 - Tandem Switching & Transport
- \$0.0005 – End Office Switching

Track 2 - Maximum Originating Rates

❑ Step 4 – Rate of Return

- \$0.0105 – Tandem Switching & Transport
- **\$0.0020** – End Office Switching

❑ Step 4 – Price Cap or Incentive Reg'l

- \$0.0075 - Tandem Switching & Transport
- **\$0.0020** – End Office Switching

Track 3 – Rate Changes

- ❑ Intrastate access rates reduced to interstate level
- ❑ 3 Year Transition
- ❑ Continued NECA Pooling is an option
- ❑ Interstate rate is cap for reciprocal compensation

Track 3 Sample (Orig & Term Rates)

| | <u>Interstate Access</u> | <u>Intrastate Access</u> | <u>Non-Access Traffic</u> |
|--------|------------------------------|------------------------------|-------------------------------|
| Step 0 | \$ 0.0100 | \$ 0.0500 | * |
| Step 1 | \$ 0.0100 | \$ 0.0400 | * |
| Step 2 | \$ 0.0100 | \$ 0.0300 | * |
| Step 3 | \$ 0.0100 | \$ 0.0200 | * |
| Step 4 | \$ 0.0100 | \$ 0.0100 | * |

* Lower of existing contractual rates or current interstate access rates.

Track 3 – RTCC Company

| | <u>TS Access</u> | <u>Carrier Charge*</u> | <u>Non-Access Traffic</u> | <u>% Change</u> |
|--------|------------------|------------------------|---------------------------|-----------------|
| Step 0 | \$ 0.0216 | \$ 10.00 | \$ 0.0250 | |
| Step 1 | \$ 0.0100 | \$ 7.50 | \$ 0.0204 | 16% |
| Step 2 | \$ 0.0100 | \$ 5.00 | \$ 0.0204 | 31% |
| Step 3 | \$ 0.0100 | \$ 2.50 | \$ 0.0204 | 46% |
| Step 4 | \$ 0.0204 | \$ 0.00 | \$ 0.0204 | 60% |

* The exact Carrier Charge is not noted in order to ensure this company cannot be identified by a review of the intrastate switched access tariffs on file at the PA PUC.

Track 3 – RTCC Company*

| | <u>1R and 1B SLC</u> | <u>Multi- Line Bus SLC</u> | <u>Cumulative Restructure Mechanism</u> |
|--------|--------------------------|------------------------------------|---|
| Step 0 | \$ 6.50 | \$ 9.20 | \$ 0.00 |
| Step 1 | \$ 7.25 | \$ 9.20 | \$ 2.68 |
| Step 2 | \$ 8.00 | \$ 9.20 | \$ 5.03 |
| Step 3 | \$ 8.75 | \$ 9.20 | \$ 7.37 |
| Step 4 | \$ 8.75 | \$ 9.20 | \$ 10.34 |

* All rate elements are stated on a per line basis.

Track 3 – Reciprocal Compensation

- ❑ When an I/C agreement expires, carrier charges lower of:
 - Current Interstate Rate, or
 - Rate charged at time of expiration
- ❑ If state ordered Bill & Keep, at Step 4 begin charging the lower of:
 - Current Interstate Rate, or
 - Carriers highest cost-based, state approved reciprocal compensation rate

Subscriber Line Charge Changes

- ❑ Recover lost revenue from end users
- ❑ 3 Constraints on increases
 - Nationwide SLC Caps
 - Limitations on individual rate increases
 - Limitations on average rate increases

SLC Caps – Primary Residential Line and Single Line Business

| | <u>Track 1</u> | <u>Track 2</u> | <u>Track 3</u> |
|--------|----------------|----------------|----------------|
| Step 1 | \$ 7.25 | \$ 7.25 | \$ 7.25 |
| Step 2 | \$ 8.00 | \$ 8.00 | \$ 8.00 |
| Step 3 | \$ 9.00 | \$ 8.75 | \$ 8.75 |
| Step 4 | \$ 10.00 | \$ 8.75 | \$ 8.75 |
| Step 5 | + inflation | \$ 8.75 | \$ 8.75 |

SLC Caps – Multi-Line Business

| | <u>Track 1</u> | <u>Track 2</u> | <u>Track 3</u> |
|--------|----------------|----------------|----------------|
| Step 1 | \$ 9.20 | \$ 9.20 | \$ 9.20 |
| Step 2 | \$ 9.20 | \$ 9.20 | \$ 9.20 |
| Step 3 | \$ 9.20 | \$ 10.00 | \$ 9.20 |
| Step 4 | \$ 10.00 | \$ 10.00 | \$ 9.20 |
| Step 5 | + inflation | \$ 10.00 | \$ 9.20 |

SLC Constraint # 2 – Individual Rate

- ❑ Applies to Track 1 Companies
- ❑ Individual line rates cannot increase (cumulatively as compared to Step 0) by more than:
 - \$0.95 in Step 1
 - \$1.90 in Step 2
 - \$3.10 in Step 3
 - \$4.30 in Step 4

SLC Constraint # 3 – Average Rate

- ❑ Applies to Price Cap Companies
- ❑ Two “SLC Baskets” created
 - Primary Res, Non-Primary Res, Single Line Bus = “Mass Market Service Category”
 - Multi-Line Bus = “Enterprise Service Category”

SLC Constraint # 3 – Average Rate

- ❑ Track 1 Carriers
- ❑ Average within “basket” may not increase (over Step 0 rates) by more than:
 - \$0.75 in Step 1
 - \$1.50 in Step 2
 - \$2.50 in Step 3
 - \$3.50 in Step 4

SLC Constraint # 3 – Average Rate

- ❑ Track 2 Carriers
- ❑ Average within “basket” may not increase (over Step 0 rates) by more than:
 - \$0.75 in Step 1
 - \$1.50 in Step 2
 - \$2.50 in Step 3

Constraint Adjustments

- ❑ Constraints lifted at Step 5
- ❑ Constraints can be adjusted upward at a given step if cumulative access reduction exceeds total plan access reduction by:
 - 25% in Step 1
 - 50% in Step 2
 - 75% in Step 3

Restructure Mechanism – Rate of Return Track 3 Companies

Revenues Under Current System

VS.

Revenues Under Missoula Plan

Restructure Mechanism

- ❑ “Base Year” – last full calendar year before the plan is adopted
- ❑ Base Year Revenue:
 - Base Year Intrastate switched access
 - + Base Year Net reciprocal comp revenue
 - + Current Year Interstate settlements

Restructure Mechanism

❑ Current Year ("CY") Revenue:

- CY projected Intrastate switched access
- + CY projected reciprocal comp
- + CY projected Interstate switched access
- + CY projected LSS support
- + CY projected SLC @ maximum rates

Restructure Mechanism

- ❑ Base Year less Current Year = Restructure Mechanism Amount
- ❑ True-up completed when actual data is available
- ❑ Access or USF ???
- ❑ Portability ???

Changes to Existing Federal USF

❑ High Cost Loop Fund re-indexed

- Based on current nationwide cost per loop
- Recalculated HCL support will increase in 3 steps over 24 months
- Fund re-capped but allowed to grow

❑ Eliminates rules that limit support for large study areas

Changes to Existing Federal USF

- ❑ Lifeline Support adjusted automatically to offset SLC increases
- ❑ Additional Support for high-cost loop support in exchanges acquired by RLECs

Changes to State USF

Early Adopter Fund

- ❑ Federal Support Mechanism
- ❑ \$200 Million (or FCC-established #)
- ❑ To qualify, states must:
 - Funds sought will defray cost of compensating carriers for access rate reductions made prior to the plan adoption, and
 - Implement the plan, and
 - Agree to use Early Adopter Fund \$ to lower the state line item for its funding mechanism

Impact of Missoula Plan Under 66 Pa.C.S. §§3011-3019

- ❑ 3017(a) ensures revenue neutrality for access reform, and
- ❑ Missoula Plan envisions revenue neutrality for access reform

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